



Hilcorp Alaska, LLC

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January 26, 2022

Jeremy Price, Chair Commissioner
Alaska Oil and Gas Conservation Commission
333 West 7th Avenue, Suite 100
Anchorage, Alaska 99501

RECEIVED

By Grace Salazar at 10:06 am, Jan 26, 2022

RE: Application for Spacing Exception
Pearl 2A Exploration Well
Pearl Prospect near Ninilchik, Alaska

Dear Commissioner Price:

Hilcorp Alaska, LLC ("Hilcorp"), as sole working interest owner of the affected oil and gas leases, and as Operator of the Ninilchik Unit/Field, requests permission to drill, test, and produce the Pearl 2A Well ("Pearl 2A") in the Pearl Undefined Gas Pool ("Undefined Gas Pool") and the Ninilchik Beluga/Tyonek Gas Pool ("Beluga/Tyonek Pool"), within 1,500 feet of a property line where the owners and landowners are not the same on both sides of the line, and within 1,500 feet from the exterior boundary of the Affected Area of Conservation Order 701C ("CO 701C"), pursuant to 20 AAC 25.055(d) and Rule 3 of CO 701C.

In accordance with 20 AAC 25.005, Hilcorp will submit to AOGCC an application for a Permit to Drill prior to the commencement of drilling Pearl 2A. Hilcorp plans to spud this well on or around March 22, 2022, from the Pearl Pad which is located directly south and outside the Ninilchik Unit/Field boundary. The well path of Pearl 2A is located on three (3) private oil and gas leases and a State of Alaska Lease ("ADL 384372"). Pearl 2A's surface location is on Hilcorp owned surface and privately owned subsurface located outside of the Affected Area of CO 701C. The bottom hole for Pearl 2A is located on ADL 384372 within the Affected Area of CO 701C.

In accordance with 20 AAC 25.055(d)(2), a map of the location of Pearl 2A and its relationship to adjoining properties, along with a tract ownership schedule, are attached to this application (see Exhibit A-1 and A-2). The well's location is further indicated as follows:

Surface Location

- Non-Unit Tract 243 (100% Private Ownership).
 - 100% Hilcorp Working Interest.
 - X: 203,164'; Y: 2,225,767'
 - Section 23, T01S, R14W, S.M., AK.

Well Path

- Non-Unit Tracts 243 & 375 (100% Private); Unit Tracts 8 (State) & 165 (Private)
 - 100% Hilcorp Working Interest.
 - Sections 14 & 23, T01S, R14W, S.M., AK.
 - Top of Productive Horizon (1,500'MD):
 - Non-Unit Tract 375
 - Section 14, T01S, R14W, S.M., AK.

Bottom Hole Location

- Ninilchik Unit Tract 8 (100% State – ADL 384372).
 - 100% Hilcorp Working Interest.
 - X: 203,164'; Y: 2,227,644'
 - Section 14, T01S, R14W, S.M., AK.

The proposed Pearl 2A well will be governed by both statewide spacing rules and the Ninilchik Field pool rules specified in CO 701C. Therefore, statewide spacing regulation 20 AAC 25.055(a) and Rule 3 of CO 701C are controlling. In relevant part, subsections (a)(2) and Rule 3(A) provide:

- 20 AAC 25.055(a)(2) For a well drilling for gas, a wellbore may be open to test or regular production within 1,500 feet of a property line only if the owner is the same and the landowner is the same on both sides of the line.
- Rule 3(A) of CO 701C: No gas well shall be drilled or completed less than 1,500 feet from the exterior boundary of the Affected Area unless the owner and landowner is the same on both sides of the line.

Pearl 2A is an exploration well targeting unproven reserves in the Beluga and Tyonek Formations within the Undefined Gas Pool and within the Beluga/Tyonek Pool. This spacing exception is necessary because (i) Pearl 2A will be open to test or regular production of gas in the Undefined Gas Pool within 1,500 feet of a property line where the owners or landowners are not the same on both sides of the line (20 AAC 25.055(a)(2)), and (ii) Pearl 2A will be drilled or completed in the Beluga/Tyonek Pool less than 1,500 feet from the exterior boundary of the Affected Area of CO 701C where the landowners are different on both sides of the line (Rule 3(A)). Pearl 2A will target unproven gas reserves that cannot be reached by conforming to applicable statewide spacing restrictions and Rule 3 of CO 701C.

Because this is an exploration well, the TPH in Pearl 2A is cannot be determined at this time. Hilcorp expects to open, test, and produce the well anywhere between 1,500'MD – 8,460'MD (BHL). For the purposes of this application, the TPH is indicated at 1,500' MD (notice to owners and landowners have been mailed accordingly).

Discussion

Pearl 2A is an exploration well located approximately 2.5 miles north of Ninilchik, Alaska, within the Pearl Prospect, also referenced as the Pearl Field. The Pearl Field is located directly south and adjacent to the Ninilchik Unit/Field. Pearl 2A will be drilled from the Pearl Pad, located within the Pearl Field (outside of the Ninilchik Unit/Field). The bottomhole will be located within the Ninilchik Unit/Field. Pearl 2A will be the first Hilcorp exploration well drilled around the southern extent of the existing Ninilchik Unit/Field. Previous exploration wells, Pearl 1 and Ninilchik Unit 1, were drilled over 3,000' to the southeast and did not have commercial oil or gas discoveries. Pearl 2A will be targeting unproven gas reserves in the Beluga and Tyonek formations within the Undefined Gas Pool and the Beluga/Tyonek Pool. The closest producing gas well is a Ninilchik Unit well, known as Paxton 5, located to the northeast of Pearl 2A.

Hilcorp anticipates that the productive sands in Pearl 2A will be discontinuous channel sands in the Beluga and Tyonek Formations within both the Undefined Gas Pool and the Beluga/Tyonek Pool that cannot be produced by wells conforming to applicable spacing restrictions. Geologic analysis of drilling data from various Ninilchik Unit/Field wells suggests that the Undefined Gas Pool and the Beluga/Tyonek Pool consists of a series of thin, discontinuous, stacked channel sands with a low net-to gross ratio. The channel belt widths are too narrow to yield efficient drainage based on the current spacing for gas wells. This spacing exception is necessary to efficiently drill, test, and discover new gas within the Undefined Gas Pool and the Beluga/Tyonek Pool channel belt sands.

Hilcorp owns 100% Working Interest in the affected oil and gas leases and is currently the Operator of the Ninilchik Unit. The State of Alaska owns 100% of the mineral interest in the affected lands located offshore and are included in ADL 3384372. The remaining affected tracts are 100% privately owned subsurface. Attached to this application is the tract ownership schedule for the effected tracts, which details tract ownership within 3,000' of Pearl 2A (Exhibit A-2).

Following successful completion of Pearl 2A, and prior to bringing the well online, Hilcorp plans to submit to the Department of Natural Resources, Division of Oil and Gas ("DNR"), an application to adjust the Ninilchik Unit and its corresponding Participating Area (PA") to include any lands reasonably estimated to be productive (or form a separate Unit and PA). Hilcorp understands there are complex ownerships involved in the Pearl Field, and AOGCC is tasked with protecting all parties' correlative rights. Hilcorp plans to allocate production in accordance with DNR's Unit and PA decision. Production from Pearl 2A will commence only when a PA that includes Pearl 2A production is approved by the State. A copy of the State decision and PA allocation schedule will be provided to AOGCC prior to production. Hilcorp believes the correlative rights of all owners, landowners, and operators will be protected under the existing oil and gas leases in place and the proposed conditions of this application.

Hilcorp proposes to allocate royalties to all leased owners / landowners based on their tract allocation percentage, mineral ownership, and lease royalty shown on the approved PA allocation schedule. Hilcorp will establish and maintain—without cost to the non-participating owners / landowners—a single, interest-bearing escrow account (Escrow Account) for the non-participating owners / landowners. Hilcorp will provide AOGCC with documentation sufficient to show that the Escrow Account has been established and maintained in accordance with this spacing exception. For each non-participating owner / landowner in a given parcel within the productive area, Hilcorp will deposit in that Escrow Account an amount equal to the total of that non-participating owner's / landowner's interest percentage (allocation percentage) for those parcels multiplied by the production attributed to those parcels for the previous month multiplied by 0.125 (royalty rate) multiplied by the prevailing value for Cook Inlet gas published for that quarter by the Alaska Department of Revenue under 15 AAC 55.173(b). As a result, the correlative rights of all affected owners, landowners and operators will be protected by approval of this spacing exception.

As previously stated, Hilcorp anticipates perforating, testing, and producing Pearl 2A in all potential gas bearing sands within the Undefined Gas Pool and the Beluga/Tyonek Pool between 1,500' MD – 8,460' MD. In accordance with 20 AAC 25.055(d)(1), a copy of this application was sent via certified mail to all affected owners and landowners within 3,000' of Pearl 2A's entire wellbore (Exhibit B). Copies of the certified mail receipts have also been enclosed. No other affected operators or working interest owners exist.

In accordance with 20 AAC 25.055(d)(3), an affidavit is attached to this application stating the undersigned is acquainted with the facts and verifying that all facts asserted herein are true (Exhibit C).

Should you have any technical questions, please contact Mr. Ben Siks, Senior Geologist, at (907) 777-8388, or you may contact the undersigned at (907) 777-8432.

Sincerely,



Cody T. Terrell, Landman
Hilcorp Alaska, LLC

Enclosures:

- Exhibit A-1: Pearl 2A Well Map
- Exhibit A-2: Tract Ownership Schedule
- Exhibit B: Certified Mailing List
- Exhibit C: Affidavit

CC: Owners & Landowners within 3,000' of subject well

EXHIBIT A-1
Pearl 2A Well Map
 Application for Spacing Exception

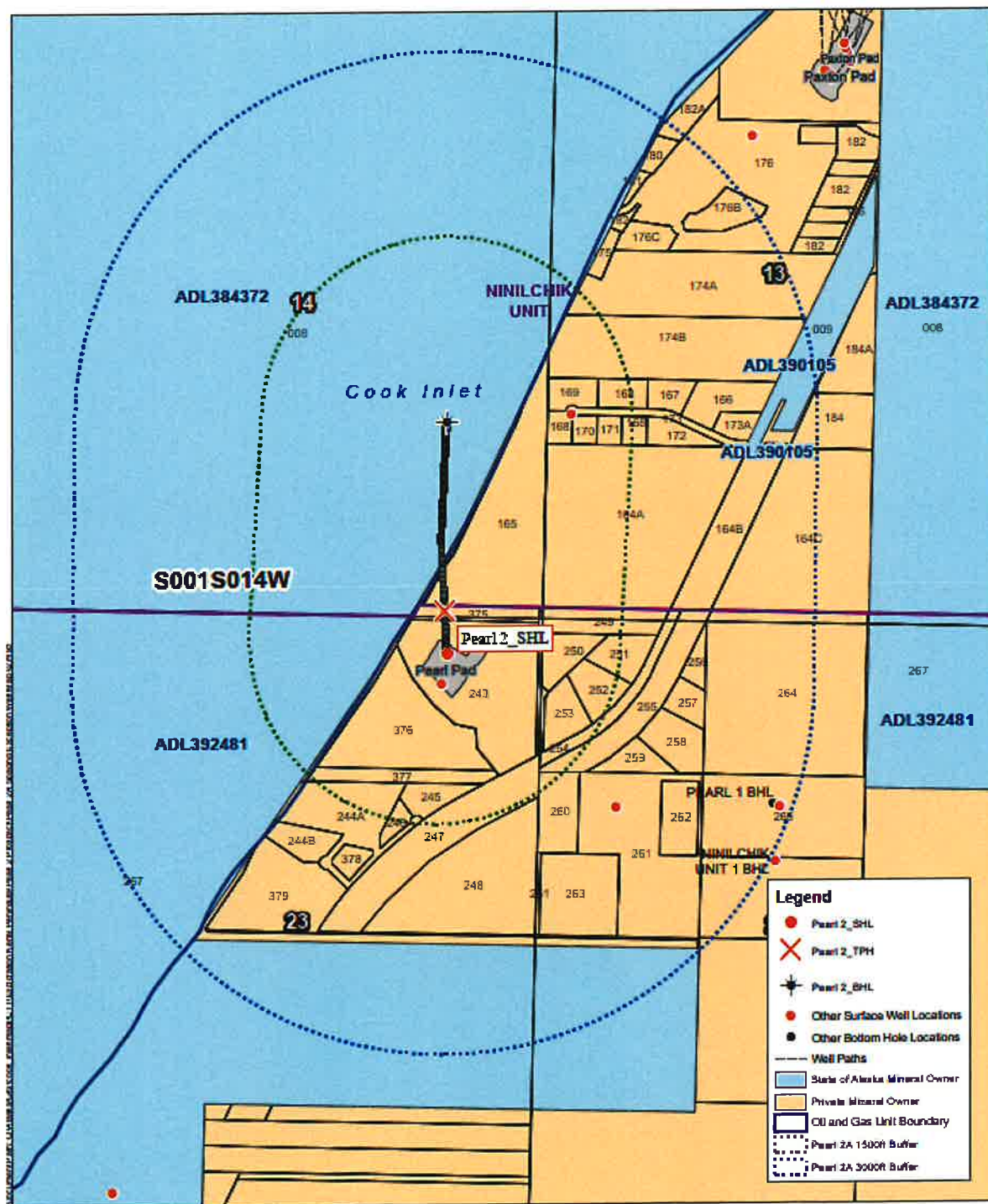


EXHIBIT A-2
Tract Ownership Schedule
Application for Spacing Exception

Tract No.	Landowner Name	Landowner Interest %	Gross Acreage
008	State of Alaska ADL 384372	100.0000%	3507.84
009	State of Alaska ADL 390105	100.0000%	160
164A	Ninilchik Point View LLC	75.0000%	40
164A	Edward Lee Maki	8.3333%	40
164A	George R. Maki, Jr.	8.3333%	40
164A	Gloria Ann Ropelato	8.3333%	40
164B	Estate of Doime U. Wesen	100.0000%	10
164C	Darwin E. Waldsmith and Kaye A. Waldsmith Trust, dtd 11-15-2006	75.0000%	30
164C	Edward Lee Maki	8.3333%	30
164C	George R. Maki, Jr.	8.3333%	30
164C	Gloria Ann Ropelato	8.3333%	30
165	Cynthia L. Hatton	50.0000%	25.803
165	Stephen Wackowski and Thomas Brady	50.0000%	25.803
166	John and Deidre McCombs	75.0000%	4.42
166	Carolee Pickett	25.0000%	4.42
167	Thomas James and Deborah Ann Bandelow	75.0000%	1.95
167	Carolee Pickett	25.0000%	1.95
168	Gailan B. Johnson	75.0000%	4.39
168	Carolee Pickett	25.0000%	4.39
169	Robert Flygenring and Cheryl King	75.0000%	2.24
169	Carolee Pickett	25.0000%	2.24
170	Gailan B. Johnson and Carol Lane-Johnson	75.0000%	1.06
170	Carolee Pickett	25.0000%	1.06
171	Michael Roy Smith	75.0000%	1.07
171	Carolee Pickett	25.0000%	1.07
172	Gale R. Graham	37.5000%	2.78
172	Gary Andes and Marna Andes	37.5000%	2.78
172	Carolee Pickett	25.0000%	2.78
173	Walter L. Wilson	75.0000%	2.396
173	Carolee Pickett	25.0000%	2.396
173A	Brandon Joseph Paul Levi and Melissa Krystine Lancaster	100.0000%	1.63
174A	Ninilchik Point View LLC	75.0000%	23.567
174A	Carolee Pickett	25.0000%	23.567

174B	Darwin E. Waldsmith and Kaye A. Waldsmith Trust, dtd 11-15-2006	75.0000%	23.782
174B	Carolee Pickett	25.0000%	23.782
175	Carolee Pickett	100.0000%	1.99
176	Carolee Pickett	25.0000%	24.657
176	Darlene M. Rozak	25.0000%	24.657
176	John L. and Nancy E. Stengl	25.0000%	24.657
176	Judith Ballentine	25.0000%	24.657
176B	Carolee Pickett	25.0000%	3.085
176B	John L. and Nancy E. Stengl	25.0000%	3.085
176B	Judith Ballentine	25.0000%	3.085
176B	Theodore W. Rozak Living Trust	25.0000%	3.085
176C	Carolee Pickett	25.0000%	2
176C	John L. and Nancy E. Stengl	25.0000%	2
176C	Judith Ballentine	25.0000%	2
176C	Larry M. Rozak	25.0000%	2
180	Janet M. and Robert C. Clucas	75.0000%	1.63
180	Carolee Pickett	25.0000%	1.63
181	Michael S. and Cheryl B. Sutton	75.0000%	1.3
181	Carolee Pickett	25.0000%	1.3
182	Carolee Pickett	25.0000%	9.25
182	Darlene M. Rozak	25.0000%	9.25
182	John L. and Nancy E. Stengl	25.0000%	9.25
182	Judith Ballentine	25.0000%	9.25
182A	Darlene M. Rozak	50.0000%	2.62
182A	Carolee Pickett	25.0000%	2.62
182A	Judith Ballentine	25.0000%	2.62
184	Richard Lee & Jeannie Lou Johnson	100.0000%	5.424
184A	Tim and Kristine Moerline	75.0000%	5.553
184A	Carolee Pickett	25.0000%	5.553
243	Cynthia L. Hatton	50.0000%	22.393
243	Stephen M. Wackowski	46.1500%	22.393
243	Danny L. Martin	2.8875%	22.393
243	Thomas P. Brady	0.9625%	22.393
244A	No More FYI, LLC	100.0000%	7.6
244B	Kenneth E. and Brenda M. Noonan, h/w	100.0000%	2.877
245	Janusz Naumiuk and Taisa Naumiuk	100.0000%	2.466
246	Mathew Byler	100.0000%	1.059
247	Cynthia L. Hatton	100.0000%	13.709
248	Glen Thomas and Dianne Thomas	100.0000%	21.65
249	Joy Ward	100.0000%	5.5
250	Redford Johnathan Turner, IV	100.0000%	3.221

251	Emily Long	33.3333%	3.222
251	Jennifer Long	33.3333%	3.222
251	McKibben Jackinsky	33.3333%	3.222
252	Risa A. Jackinsky	100.0000%	3.225
253	Ember A. Jackinsky, aka Joshua Jackinsky	25.0000%	3.244
253	Jason V. Jackinsky	25.0000%	3.244
253	Mercy Shelton	25.0000%	3.244
253	Shawn W. Jackinsky, Jr.	25.0000%	3.244
254	McKibben Jackinsky	50.0000%	3.588
254	Risa A. Jackinsky	50.0000%	3.588
255	Arthur D. Reina	50.0000%	8.061
255	Lela Joy Thatcher	33.3333%	8.061
255	James D. Elledge	16.6667%	8.061
256	Arthur D. Reina	100.0000%	1.25
257	Arthur D. Reina	50.0000%	2.063
257	James D. Elledge and Diane S. Elledge, H/W	50.0000%	2.063
258	Arthur D. Reina	50.0000%	4.126
258	Glenn R. Edwards and Carolyn M. Edwards	50.0000%	4.126
259	Arthur D. Reina	50.0000%	2.5
259	Estate of George R. Linholm	50.0000%	2.5
260	David W. Smith	100.0000%	5
261	Gary Wade Jackinsky	100.0000%	21.32
262	Shawn M. and Myrle Wilson	100.0000%	4.15
263	Stephen Walter Jackinsky	100.0000%	9.53
264	Ronald Ray Albright	100.0000%	40
265	Patrick L. Pearl	100.0000%	20
266	Wendy Jacqueline Seaman	50.0000%	20
266	David B. Charbonnier	50.0000%	20
267	State of Alaska ADL 392481	100.0000%	1006.58
268	Cook Inlet Region, Inc.	100.0000%	260
375	Cynthia L. Hatton	50.0000%	2.87
375	Stephen M. Wackowski	46.1500%	2.87
375	Thomas P. Brady	3.8500%	2.87
376	Cynthia L. Hatton	50.0000%	15.776
376	Stephen M. Wackowski	50.0000%	15.776
377	Stephen M. Wackowski	100.0000%	3.883
378	Kenneth E. Noonan	100.0000%	1.23
379	Sharon Culhane Living Trust	100.0000%	11.892

EXHIBIT B
Certified Mailing List
Application for Spacing Exception

Landowner Name	Known Mailing Address
Gailan B. Johnson and Carol Lane-Johnson	PO Box 39108, Ninilchik AK, 99639-0108
Carolee Pickett	5336 Holly Loop SE, Turner OR, 97392
Cynthia L. Hatton	PO Box 2789, Homer AK, 99603
Danny L. Martin	2250 NW 114th Ave, Unit 1P, PTY-14423, Miami FL, 33192
Darwin E. Waldsmith and Kaye A. Waldsmith Trust, dtd 11-15-2006	PO Box 39309, Ninilchik AK, 99639
David B. Charbonnier	804 Madison Street, Petaluma CA, 94952
David W. Smith	PO Box 39690, Ninilchik AK, 99639
Edward Lee Maki	505 Jamestown Ct, Frankfort KY, 40601-1341
Emily Long	PO Box 39187, Ninilchik AK, 99639
Estate of Doime U. Wesen	Unknown
Gale R. Graham	1668 Oro Dam Blvd W 67, Oroville CA, 95965-4155
Gary Wade Jackinsky	P.O. Box 39127, Ninilchik AK, 99639
George R. Maki, Jr.	681 Cassidy Drive, Durango CO, 81303
Glen Thomas and Dianne Thomas	PO Box 1083, Moore Haven FL, 33471
Glenn R. Edwards and Carolyn M. Edwards	PO Box 39064, Ninilchik AK, 99639
James D. Elledge	20504 Philadelphia Way, Eagle River AK, 99577
James D. Elledge and Diane S. Elledge, H/W	20504 Philadelphia Way, Eagle River AK, 99577-8496
Janet M. and Robert C. Clucas	72880 Sterling Highway, Clam Gulch AK, 99568
Janusz Naumiuk and Taisa Naumiuk	3 Elmwood Terrace, Edison NJ, 08817
Jason V. Jackinsky	PO Box 744, Palmer AK, 99645-0744
Jennifer Long	PO Box 39187, Ninilchik AK, 99639
John L. and Nancy E. Stengl	North 12003 Cedar Road, Birnamwood WI, 54414-8737
Joy Ward	P. O. Box 3414, Kenai AK, 99611
Judith Ballentine	PO Box 9, Veguita NM, 87062
Kenneth E. and Brenda M. Noonan, h/w	1 Kollar Road, Willington CT, 06279
Kenneth E. Noonan	1 Kollar Road, Willington CT, 06279
Larry M. Rozak	PO Box 1179, Homer AK, 99603
Lela Joy Thatcher	2020 Muldoon Rd, Unit 241, Anchorage AK, 99504-3685

Mathew Byler	PO Box 39308, Ninilchik AK, 99639
McKibben Jackinsky	PO Box 39187, Ninilchik AK, 99639
Michael Roy Smith	1121 Burnt Ridge Road, Troy ID, 83871
Patrick L. Pearl	2705 Range Avenue, Apt 109, Santa Rosa CA, 95403
Redford Johnathan Turner, IV	P. O. Box 141, Clam Gulch AK, 99568
Richard Lee & Jeannie Lou Johnson	454 Camelot Dr, Anchorage AK, 99508
Risa A. Jackinsky	4014 Ben Walters Lane, Apt. C8, Homer AK, 99603
Ronald Ray Albright	P.O. Box 39391, Ninilchik AK, 99639
Sharon Culhane Living Trust	5331 Bishops Castle Circle, Anchorage AK, 99516
Shawn M. and Myrle Wilson	8312 N Highlander Loop, Palmer AK, 99645-8016
Shawn W. Jackinsky, Jr.	PO Box 15282, Fritz Creek AK, 99603
Stephen Walter Jackinsky	138 NE 106 St., Miami FL, 33138
Robert Flygenring and Cheryl King	926 W 80TH AVE, Anchorage AK, 99518
Thomas P. Brady	7760 McClure Circle, Anchorage AK, 99507-6231
Thomas James and Deborah Ann Bandelow	8000 Little Dipper Ave, Anchorage AK, 99504
Walter L. Wilson	91 Good Times Drive, Las Cruces NM, 88005
Wendy Jacqueline Seaman	12 Haven Dr., Petaluma CA, 94952
Brandon Joseph Paul Levi and Melissa Krystine Lancaster	P. O. Box 1397, Anchor Point AK, 99556
Darlene M. Rozak	1134 S Magnolia Ave, Yuma AZ, 85364
Michael S. and Cheryl B. Sutton	PO Box 39214, Ninilchik AK, 99639
Ninilchik Point View LLC	PO Box 39309, Ninilchik AK, 99639
No More FYI, LLC	c/o Shari Wulf, 10672 Kenai Spur Hwy, Ste 112, PMB 289, Kenai AK, 99611
Arthur D. Reina	c/o Dan Reina, 148 Maple Ave, Snohomish WA, 98290
Gary Andes and Marna Andes	c/o Andes Pool Supply, 23 Perry Ave, Biggs CA, 95917
State of Alaska	c/o Unit Manager, 550 West 7th Avenue, Ste. 1100, Anchorage AK, 99501
Cook Inlet Region, Inc.	c/o Land Manager, 725 E. Fireweed Lane, Suite 800, Anchorage AK, 99503
Theodore W. Rozak Living Trust	c/o Larry M. Rozak, PO Box 1179, Homer AK, 99603

Gloria Ann Ropelato	3954 W. 1400 S., Ogden UT, 84401-9062
Ember A. Jackinsky, aka Joshua Jackinsky	3700 Sharon Gagnon LN, Anchorage AK, 99508-4656
Estate of George R. Lindholm	P.O. Box 39570, Ninilchik AK, 99639
Gailan B. Johnson	6710 Elmore Road, Anchorage AK, 99507
John D. McCombs and Deidre E. McCombs	PO Box 39087, Ninilchik AK, 99639
Mercy A. Shelton	PO Box 2260, Homer AK, 99603
Stephen M. and Theresa Wackowski	103 Ryans Way, Yorktown VA, 23693
Tim and Kristine Moerline	P.O. Box 298, Kasilof AK, 99610

EXHIBIT C
Affidavit
Application for Spacing Exception

VERIFICATION OF APPLICATION FOR SPACING EXCEPTION
COOK INLET, ALASKA

PEARL PROSPECT
Pearl 2A Well

I, CODY T. TERRELL, Landman, Hilcorp Alaska, LLC ("Hilcorp"), do hereby verify the following:

I am acquainted with Hilcorp's application for a spacing exception submitted to the Alaska Oil and Gas Conservation Commission for the drilling of the Pearl 2A Well in the Pearl Prospect and Ninilchik Field, near Ninilchik, Alaska, pursuant to 20 AAC 25.055(d).

I assert all facts outlined in the above-referenced application are true. I further assert the requested spacing exception is necessary to explore, drill, and establish new production of natural gas from undefined and defined gas pools in the Pearl Prospect and Ninilchik Field.

I have reviewed the mailing list and plat attached to said application and it correctly portrays the pertinent and required data for the Commission to take action on this request.

DATED at Anchorage, Alaska this 26 day of January 2022.

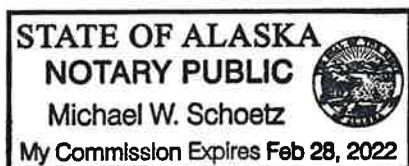

Cody T. Terrell, Landman
Hilcorp Alaska, LLC


STATE OF ALAKSA

)
) ss
)

THIRD JUDICIAL DISTRICT

SUBSCRIBED TO AND SWORN before me this 26 day of January 2022.




NOTARY PUBLIC IN AND FOR
THE STATE OF ALSKA
My Commission expires: FEBRUARY 28, 2022